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Daily Briefing

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OMB outlines new federal outsourcing rules

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The Office of Management and Budget outlined its planned overhaul of the federal government's public-private job competition process Thursday, pledging to dramatically shorten the length of most competitions and unveiling a new competition process based on the "best value" procurement method.

The changes should accelerate OMB's push to subject 425,000 federal jobs to private sector competition, although it may take some time for civilian agencies to learn the new process, according to Office of Federal Procurement Policy Administrator Angela Styles, who directed OMB's efforts.

The draft policy is included in a revamped version of [OMB Circular A-76](#). The circular will appear in the *Federal Register* next week, and OMB will accept comments from agencies and the public for a 30-day period.

For the first time, the circular will contain time limits for A-76 competitions and outline consequences for agencies that fail to meet them. The limit for most competitions will be 12 months. Some competitions at the Defense Department have taken three years, a situation Styles said must change.

"We think these time frames are pretty strict," she told an audience of federal employees at a competitive sourcing conference at the Interior Department. "We're trying to reduce this process to 12 months. The end result is better service and lower costs for taxpayers."

Agencies that fall behind in their competitions will undergo sharp scrutiny by OMB, and if in-house employees fail to submit a proposal on time, their jobs could be directly outsourced to the private sector, Styles said. Teams of federal employees that win job competitions will be required

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to sign binding performance agreements and will be subject to future competition after their agreements expire, she added.

Styles also described OMB's new "best value" competition process, which allows noncost factors such as technical performance and reputation to be considered in procurement decisions. The new process pits companies and in-house employees against one another in a one-step, winner-take-all competition, meaning the in-house team could be eliminated before the final round of competition, a break from current practice. Federal employee unions strongly oppose the new process.

The circular also contains the current job competition process, under which most competitions are decided by low bid. Styles said this process is still appropriate for the majority of federal jobs that are eligible for outsourcing, which do not need to go through a "best value" competition.

OMB will test the best value process on federal information technology jobs. Styles said IT projects are the best place to start because agencies should look for best value, and not just low cost, when making IT purchases. Agencies can ask to use the process in other areas, and OMB will also allow agencies to use it on competitions involving new or expanded requirements at federal agencies.

Federal agencies almost always look to the private sector to perform new work, but agencies could use the best value process to let federal employees compete for new projects, she said at the conference.

"It does not preclude the possibility of the public sector entering competitions, but neither did the [old] circular either, but there wasn't a process for it," she said.

Federal employee unions have long argued that civil servants should have the opportunity to compete for new work at agencies. The American Federation of Government Employees, in a press release, reserved judgment on the new method, but Colleen Kelley, president of the National Treasury Employees Union, said the new policy is "bad news" for federal workers.

Stan Soloway, president of the Professional Services Council, a contractors' association, praised the new circular and said it should help reduce "absurdly long" timelines of most A-76 competitions.

OMB overhauled the circular in response to the findings of the Commercial Activities Panel, a congressionally mandated organization that urged widespread changes to federal outsourcing policy in its April report. But the budget office made other changes that the panel did not call for, including rewriting the definition of “inherently governmental” work.

Civilian agencies are eager to begin using the new process, according to Styles. “They’ve been at my door every day asking where it is,” she said.



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